

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

DIANE GIBBONS, et al.

Plaintiff,

v.

RICHARD RILEY, et al.

Defendant.

No. CV 94 5212 (JFB)

JFB

NOTICE OF PROPOSED CLASS ACTION SETTLEMENT

You might have been overcharged on your student loan. This notice concerns your rights in this case about overcharges. Please read this notice carefully.

This lawsuit was brought against the Department of Education (ED) because Plaintiffs alleged that ED had charged some student loan debtors higher collection costs than were permitted under their loan agreements. The court has certified this suit as a class action. The class includes all individuals who paid, on a Guaranteed Student Loan, a collection cost charged by ED higher than the amount permitted by the loan agreement. ED records show that you may be member of this class.

The proposed settlement:

The parties propose to settle this suit. This Settlement concerns only loans held by ED. Under the proposed settlement, ED is first correcting any collection cost overcharges borrowers have paid on Guaranteed Student Loans. To do this, ED must determine whether you are a member of this class. You are a member of the class if your promissory note limits collection cost charges and you were charged by ED and paid a fee higher than the limit in your note. ED has identified groups of loans that probably contain limits on collection costs. ED is reviewing the charges actually paid by borrowers in these groups to determine which borrowers were overcharged, and ED is refunding or giving credit for any collection cost overcharges actually paid. ED is sending all individual borrowers who may have cost limits in their loan agreements, and who paid a collection cost, a statement to explain the results of ED's review. Under the proposed settlement, ED would complete this process and make any corrections or refunds, for all borrowers who may have collection cost limits in their loan agreements.

In addition, since March 1, 1995, ED has limited collection cost charges to no more than 25% of the debt for all Guaranteed Student Loans ED holds, including loans that did not limit collection costs. ED proposes under this settlement to forgive those collection costs in excess of 25% that ED has not charged class member borrowers since March 1, 1995.

In return, class members would release any claim (except for a correction of an overcharge paid by a class member) that they may have against ED in connection with a payment or a demand for payment of collection costs greater than that permitted by their loan agreement. In addition, some

class members have more than one loan held by ED, some with limits on collections and some without. If such a class member sues a third party, such as a collection agency, based on a claim that they were overcharged for collection costs on these loans and that party then sues ED, the debtor will be liable to ED for any costs ED incurs in connection with that claim, up to the amount of collection costs forgiven on that debtor's loan that had no cost limit.

How this affects you

ED has completed this review for your loan. The enclosed letter states the results of ED's review of your loan(s), and explains how to obtain copies of records of your loan and payments. You can examine them and dispute ED's determination whether you were overcharged and the amount of such an overcharge. If you are dissatisfied with ED's response to your protest, you have the right to bring a lawsuit to have a court review ED's response. If either ED or, on such an appeal, the court, determines that you were overcharged by ED, you are a member of the class. If the court concludes that ED's response was wrong, ED will credit or refund the correct amount. The settlement sets no deadline for your protest of ED's determination, and if ED tries to collect your loan(s) in the future, including by a lawsuit, you may defend by protesting that ED's determination was wrong. However, if you seek court review of your protest or you claim a refund is owed to you, the law generally requires you to sue within six years of the date of the ED determination.

The court must Approve this Settlement, and you may object

This settlement has not yet been approved by the court. If the court approves this settlement, class members will be bound by these terms. The Court will conduct a hearing to consider this settlement. The date of that hearing has not yet been set. If you wish to object to this settlement or you wish to be notified about the time and place of the Court hearing on this settlement, you must object and/or request notice in writing. Your objection and request must be received by the Court no later than 45 days from the date on the letter accompanying this notice, and must include your name, Social Security Number, and your address. You must file your objections or request for notice, or both, with the Court, at the following address:

Robert C. Heinemann, Clerk
U.S. District Court
255 Cadman Plaza East
Brooklyn, N.Y. 11201

The court will consider any timely written objections, and anyone who has filed written objections may present them at the hearing. The proposed settlement is available for your review at the Clerk's Office. You may consult with the lawyer of your choice about this settlement.

If the Court does not approve the settlement

ED will continue to correct for collection cost overcharges using the procedure described in the attached letter, but may enforce payment of collection cost charges owed but not assessed since March 1, 1995 for any borrower whose loan contains no cost limits or limits greater than 25 percent.



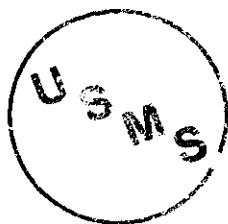
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ROBERT W. HARRIS, CLERK OF COURT
U.S. DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF NEW YORK
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Request for notice

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